

DEC 15 1993

Before the  
**Federal Communications Commission**  
 Washington, D. C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
 OFFICE OF THE SECRETARY

In the Matter of )  
 )  
 Proposed Revision of Part 69 of ) RM 8389  
 the Commission's Rules to Allow )  
 for Incentive Settlement Options )  
 for NECA Pool Companies )

**COMMENTS  
 OF THE  
UNITED STATES TELEPHONE ASSOCIATION**

The United States Telephone Association (USTA) respectfully submits its comments in support of the above-referenced proceeding. USTA is the principal trade association of the exchange carrier industry. Its members provide over 98 percent of the exchange carrier-provided access lines in the U. S. Many of USTA's member companies participate in the NECA pools.

In its Petition filed November 5, 1993, NECA is proposing two incentive settlement options that will allow pooling companies and their customers to realize the benefits inherent in incentive regulation. USTA strongly supports NECA's proposal and urges the Commission to approve NECA's petition as soon as possible.

This Petition represents the final phase of the Commission's effort to provide regulatory reform to small and mid-sized exchange carriers.<sup>1</sup> That effort began with the adoption of the Optional Incentive Regulation (OIR) Plan, originally proposed by

<sup>1</sup>Policy and Rules Concerning Rates for Dominant Carriers, CC Docket No. 87-313, Second Report and Order, 5 FCC Rcd 6786, 6827 (1990).

USTA,<sup>2</sup> and with the expansion of the existing section 61.39 of the rules. The Petition seeks to continue that effort by extending these incentive options to pooling companies.

As noted in its comments on regulatory reform for small and mid-sized companies, USTA urged the Commission not to limit the benefits of the incentive plan only to LECs who have completely exited the NECA pools.<sup>3</sup>

The proposals developed by NECA recognize the diverse nature of pooling exchange carriers and provide two options which will permit pooling exchange carriers to select a plan which is best suited to their particular circumstances. In addition, the Petition provides an opportunity for the Commission to facilitate the introduction of new services and to permit pooling carriers a greater opportunity to respond to competition by increasing pricing flexibility. Under either option, these companies will continue to receive the administrative benefits of participating in the NECA pools.

The Commission should ensure that these proposals are implemented on an optional basis. This will enable small companies the ability to determine which regulatory plan will permit them to best meet the needs of their customers as well as the ability to continue to choose cost pooling or average schedule status.

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<sup>2</sup>Regulatory Reform for Local Exchange Carriers Subject to Rate of Return Regulation, CC Docket No. 92-135, Report and Order, 8 FCC Rcd 4545 (1993).

<sup>3</sup>USTA comments filed August 28, 1992 at p. 6.

The profit sharing incentive option described in the Petition will provide benefits to the Commission, to pool tariff customers and to pooling companies. It will encourage efficiency, one of the Commission's objectives under incentive regulation, by rewarding companies that reduce costs and stimulate demand on their networks. It will permit lower rates for customers in the future. Profit sharing balances the risks to individual study areas. This will permit companies in high cost study areas to receive the benefits of incentive regulation.

The pool small company incentive option further extends the streamlined regulatory provisions of section 61.39 of the Commission's rules. This will enable the Commission to extend regulatory reform to a greater number of small telephone companies.

The streamlined tariff filing proposals will enable the Commission to ensure that new services and technologies are introduced in rural areas so that customers in these areas can have the same opportunities as their urban neighbors. The pricing flexibility will enable pooling companies to respond to competition consistent with the concept of pool neutrality.

Based on the above, USTA urges the Commission to grant the  
Petition as soon as possible.

Respectfully submitted,

**UNITED STATES TELEPHONE ASSOCIATION**

By: 

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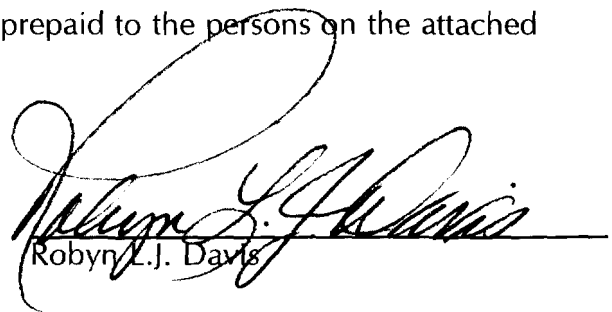
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December 15, 1993

**CERTIFICATE OF SERVICE**

I, Robyn L.J. Davis, do certify that on December 15, 1993 copies of the Comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.



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